

Message Text

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ACTION L-02

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FM AMEMBASSY MANAGUA
TO SECSTATE WASHDC 6949

UNCLAS MANAGUA 1829

EO 11652: N/A

TAGS: PDIP, NU

SUBJECT: NEW CITY TAX

1. EMBASSY REQUESTS DEPARTMENT'S OPINION AS TO WHETHER RECENT NICARAGUAN TAX CAN BE LEVIED ON US DIPLOMATIC PERSONNEL IN KEEPING WITH ACCEPTED INTERNATIONAL LAW PRACTICE.

2. LAW IN QUESTION CAME INTO EFFECT MARCH 20, 1975. IT LEVIES A 2 PERCENT TAX ON "SALES OR GROSS INCOME FOR SERVICES, CONSUMPTION OR WITHDRAWAL OF MERCHANDISE AND FINANCING " IN THE CITY OF MANAGUA. THIS TAX IS TO GO TO THE LOCAL BOARD OF SOCIAL ASSISTANCE FOR MANAGUA, (JUNTA LOCAL DE ASISTENCIA SOCIAL DE MANAGUA) WHICH OPERATES PUBLIC HOSPITALS, REHABILITATION SERVICES AND WELFARE PROGRAMS IN THE CAPITAL. US EMBASSY PERSONNEL RECEIVE NO DIRECT BENEFIT FROM ANY OF THESE SERVICES. THE 2 PERCENT TAX IS APPLIED TO ALMOST ALL RETAIL SALES IN MANAGUA AND IS USUALLY BUT NOT ALWAYS IDENTIFIED BY MERCHANTS IN BILLING.

3. AFTER REVIEWING REPORT PREPARED BY OFFICE OF PROTOCOL IN MAY 1970 ENTITLED "IMMUNITIES, RIGHTS AND PRIVILEGES ACCORDED FOREIGN GOVERNMENTS AND THEIR REPRESENTATIVES IN THE UNITED STATES." MANAGUA'S 2 PCT TAX SEEMS TO US COMPARABLE TO DISTRICT OF COLUMBIA SALES TAX FOR WHICH EXEMPTION CARDS ARE ISSUED TO FOREIGN EMBASSY PERSONNEL. DIFFERENCE IS THAT MANAGUA TAX IS IDENTIFIED AS BEING FOR SPECIAL PURPOSE.

SHELTON

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